
2001-2003 FINANCIAL PLAN AND BUDGET

**Alan Nakanishi, Mayor
Phillip A. Pennino, Mayor Pro Tempore
Susan Hitchcock, Council Member
Emily Howard, Council Member
Keith Land, Council Member**

H. Dixon Flynn, City Manager

**Prepared by the Staff
of the
City of Lodi**

CITY OF LODI, CALIFORNIA

City of Lodi
Mission Statement

“The City of Lodi’s purpose is to enhance the quality of life for Lodi residents reflecting our high community standards.”

REPORT PRODUCTION AND ANALYSIS

Budget Review Team

H. Dixon Flynn, City Manager
Janet S. Keeter, Deputy City Manager
Janet L. Hamilton, Management Analyst, Administration
Joanne Narloch, Human Resources Director
Maxine Cadwallader, Revenue Manager
Vicky McAthie, Finance Director
Ruby Paiste, Accounting Manager
Cory Wadlow, Accountant

Departments

Jerry Adams, Chief, Police
Ann Areida-Hintz, Senior Services Coordinator, Community Center
Roger Baltz, Parks & Recreation Director, Parks & Recreation
Konradt Bartlam, Community Dev. Director, Community Development
Frank Beeler, Asst. Water/Wastewater Superintendent, Public Works
Susan Bjork, Management Analyst Trainee, Parks and Recreation
Susan Blackston, City Clerk, City Clerk's Office
Sharon Blaufus, Management Analyst, Public Works
George Bradley, Street Superintendent, Public Works
Dennis Callahan, Fleet and Facilities Manager, Public Works
James Doyle, Manager, Rates and Resources, Electric Utility
Kirk Evans, Senior Management Analyst, Human Resources
Fran Forkas, Water/Wastewater Superintendent, Public Works
Betsy Gandy, Management Analyst, Police
Tony Goehring, Economic Development Coordinator, Administration
Randall Hays, City Attorney, City Attorney's Office
Cynthia Haynes, Community Promotions Coordinator, Administration
Stan Helmle, Information Systems Manager, Information Systems
Roger Houston, Chief Building Inspector, Community Development
Del Kerlin, Wastewater Assistant Treatment Superintendent, Public Works
Charlene Lange, Community Center Director, Community Center
Nancy Martinez, Library Services Director, Library
David Morimoto, Senior Planner, Community Development
Joanne Narloch, Human Resources Director, Human Resources
Peggy Nicolini, Legal Secretary, City Attorney's Office
Verne Person, Fire Division Chief, Fire
Mike Pretz, Fire Chief, Fire
Richard Prima, Public Works Director, Public Works
Boris Prokop, Manager , Rates and Resources, Electric Utility
Steve Raddigan, Fire Division Chief, Fire
Jim Siemers, Building Inspector, Community Development
Roy Todd, Data Processing Manager, Information Systems
Linda Tremble, Administrative Secretary, Electric Utility
Alan Vallow, Electric Utility Director, Electric Utility
Theresa Yvonne, Arts Coordinator, Community Center

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PREFACE

1997

2001-03 FINANCIAL PLAN AND BUDGET

HOW TO USE THE FINANCIAL PLAN DOCUMENT

This budget and financial plan is divided into the nine sections listed and described below. The financial tables are organized to provide financial information for four years: last year actual (1999-00); current year budget (2000-01); the requested budget (2001-02); and the proposed budget (2002-03). The City appropriates the budget annually and uses the projections in the second year to anticipate known significant changes in revenues and expenditures for financial planning purposes. The budget is not adjusted for inflation in the second year (proposed budget) with the exception of major revenues.

You will note that most of the financial and statistical information is organized by mission. These are broad categories of service provided by the City and basically parallels the service categories used to prepare the State Controller's Report. By using this format, the City can readily develop comparative data to measure performance and productivity. Another benefit of this format is to de-emphasize Department budgets and the relationship between departments. By focusing the budget and financial plan on the City's missions, the City is promoting the teamwork required to deliver services.

Section A - Introduction

Includes the Budget Message, a Directory of City Officials and an Organization Chart.

Section B - Policies and Objectives

Summarizes general budget policies and new significant policies that guide in the preparation and management of the budget. This section also includes major City goals.

Section C - Budget Graphics and Summaries

Provides tables and graphs to highlight key financial relationships and trends.

Section D - Operating Activities

Presents the City's operating activities around the City's major service missions that allow the City to accomplish the following tasks:

- * Establish policies and goals, which define the nature and level of services to be provided.
- * Identify activities performed in delivering these services.
- * Propose objectives for improving the delivery of service.
- * Identify and appropriate resources required to provide services, accomplish objectives and provide facilities.

The City's operating activities are organized into six major missions which in many instances cross departmental lines and funding sources:

- | | |
|--------------------|---|
| * Public Safety | * Leisure, Cultural and Social Services |
| * Public Utilities | * Community and Economic Development |
| * Transportation | * General Government |

2001-03 FINANCIAL PLAN AND BUDGET

Section E - Capital Improvement Budget

Presents the City's Capital Improvement Budget which includes all construction projects, maintenance projects and capital purchases which cost more than \$10,000. The Capital Improvement Budget and Capital Improvement Plan allow the City to systematically plan, schedule and finance capital projects in conformance with City policies.

Section F - Debt Service Requirements

Summaries of the City's debt obligations.

Section G - Changes in Fund Balance

Provides combined and individual statements of revenues, expenditures and changes in fund balance for each of the City's operating funds.

Section H - Financial and Statistical Tables

Includes summaries necessary to integrate the other Sections of the Financial Plan into a comprehensive operations and financial planning document.

Section I - Budget Reference Material

Describes major policy documents, includes a Budget Glossary and provides budget preparation guidelines.

Section A
INTRODUCTION

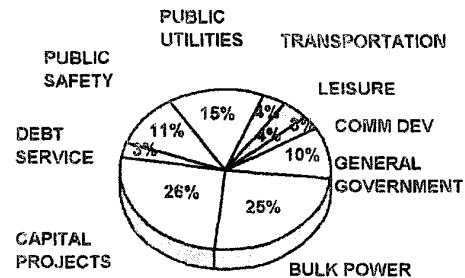
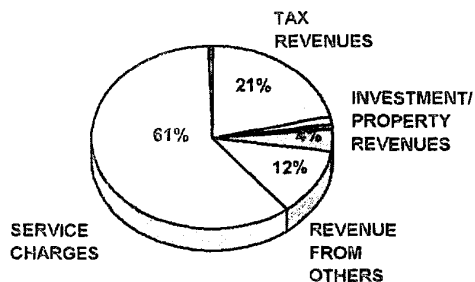
BUDGET GRAPHICS AND SUMMARIES

ALL FUNDS COMBINED

2001-02 ALL FUNDS COMBINED - \$123,731,963

	1999-00 ACTUAL	2000-01 BUDGET	2001-02 BUDGET	2002-03 BUDGET
Revenues				
Tax Revenues	\$20,003,026	\$20,680,297	\$22,192,477	\$22,710,612
Licenses and Permits	1,405,934	1,423,183	1,484,670	1,502,445
Fines and Forfeitures	628,276	919,194	702,245	749,310
Investment/Property Revenues	3,796,161	5,987,826	4,157,049	4,174,270
Revenue from Others	11,218,065	11,879,932	12,347,271	14,748,131
Service Charges	54,105,389	54,123,878	62,133,737	61,037,361
Other Revenues	2,089,651	399,197	462,535	468,220
	93,246,502	95,413,507	103,479,984	105,390,349
Other Sources (Uses)/Reserves	3,892,257	10,692,671	20,251,979	37,433,925
TOTAL	\$97,138,759	\$106,106,178	\$123,731,963	\$142,824,274

	1999-00 ACTUAL	2000-01 BUDGET	2001-02 BUDGET	2002-03 BUDGET
Expenditures				
Public Safety	\$10,703,171	\$11,307,578	\$12,918,125	\$13,480,725
Public Utilities	17,126,609	17,789,977	18,070,315	18,072,963
Transportation	3,382,590	3,246,242	4,343,843	4,593,761
Leisure, Cultural & Social Services	4,424,339	4,751,939	5,082,495	5,135,270
Community & Economic Development	2,475,413	2,638,375	3,261,635	3,255,215
General Government	10,439,807	10,933,732	12,709,195	13,032,600
Bulk Power Purchase	27,722,088	36,571,476	30,551,000	30,551,000
Capital Projects	11,325,762	21,919,089	31,502,298	49,422,641
Debt Service	3,864,165	3,706,263	3,707,000	3,704,770
	91,463,944	112,864,671	122,145,906	141,248,945
Fund Balance	5,674,815	(6,758,493)	1,586,057	1,575,329
TOTAL	\$97,138,759	\$106,106,178	\$123,731,963	\$142,824,274

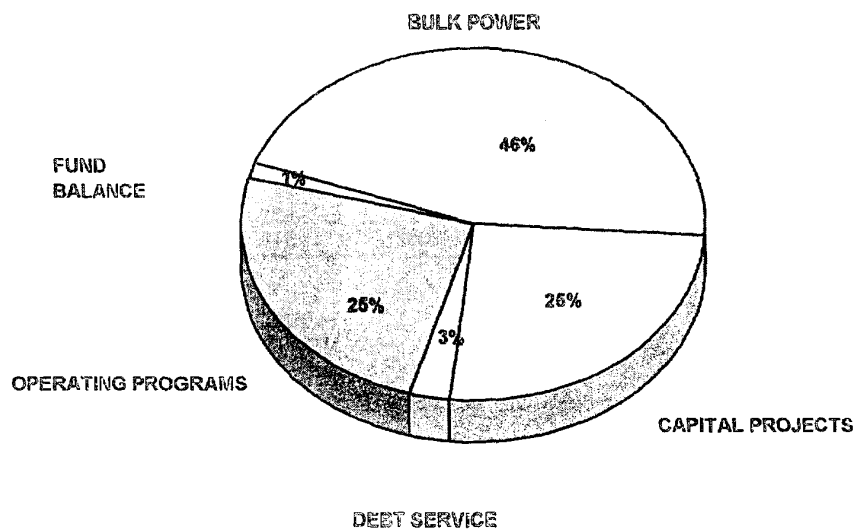


BUDGET GRAPHICS AND SUMMARIES

TOTAL OPERATING, CAPITAL AND DEBT SERVICE EXPENDITURES

2001-02 ALL FUNDS COMBINED - \$123,731,963

	1999-00 ACTUAL	2000-01 BUDGET	2001-02 BUDGET	2002-03 BUDGET
Operating Programs	48,551,929	50,667,843	56,385,608	57,570,534
Capital Projects	11,325,762	21,919,089	31,502,298	49,422,641
Debt Service	3,864,165	3,706,263	3,707,000	3,704,770
Bulk Power	27,722,088	36,571,476	30,551,000	30,551,000
Fund Balance	5,674,815	(6,758,493)	1,586,057	1,575,329
TOTAL	\$ 97,138,759	106,106,178	123,731,963	142,824,274



Alan S. Nakanishi
MAYOR
Phillip A. Pennino
MAYOR PRO TEMPORE
Susan Hitchcock
COUNCIL MEMBER
Emily A. Howard
COUNCIL MEMBER
Keith Band
COUNCIL MEMBER



City of Lodi
OFFICE OF THE CITY MANAGER
CITY HALL, 221 WEST PINE STREET
LODI, CA 95240
(209) 333-6700
FAX (209) 333-6807

H. Dixon Hynn
CITY MANAGER
Susan J. Blackston
CITY CLERK
Randall A. Hays
CITY ATTORNEY

June 27, 2001

**Honorable Mayor, Members of the City Council
and Citizens of the City of Lodi:**

I am pleased to present the two-year Financial Plan and Budget for Fiscal Years 2001–2003. This Plan and Budget was developed through the efforts of the City Council, City staff and members of the public during a series of meetings that began in November 2000. The result of this effort is a balanced Budget with sufficient reserves for unanticipated contingencies. Accordingly, the City Council on June 27, 2001, approved Resolution Number 2000-166 appropriating funds for Fiscal Year 2001-2002 and approving the Budget Plan for 2002-2003.

The table below summarizes the beginning fund balances, revenues, expenditures, other sources and uses, and the projected fund balances for the Fiscal Year beginning July 1, 2001.

FUND	BEGINNING BALANCE	REVENUES	EXPENDITURES	OTHER SOURCES & (USES)	ENDING BALANCE
General Fund	3,799,915	26,731,965	30,109,599	3,377,634	3,799,915
Library Fund	148,483	1,386,145	1,179,835	(140,703)	214,090
Street Fund	4,279,534	3,746,255	4,336,500	(1,383,918)	2,305,371
Transportation Development	124,393	1,969,688		(1,987,873)	106,209
CDBG Fund		975,000	865,691	(109,309)	
Police Special Revenue Fund	179,307	769,163	769,163		179,307
Capital Outlay Fund	4,775,681	4,461,570	12,985,185	11,382,795	7,634,861
Equipment Fund			67,000	67,000	
Debt Service Fund			1,275,205	1,275,205	
Water Utility Fund	1,218,240	4,273,886	4,121,890	(739,749)	630,487
Wastewater Utility Fund	2,479,620	4,900,788	5,138,600	(870,145)	1,371,664
Electric Utility Fund	9,293,628	49,080,090	53,169,005	5,755,702	10,960,415
Transit Fund	1,042,055	1,792,190	3,072,053	1,511,460	1,273,652
Benefits & Self Insurance Funds	2,299,098	3,172,932	4,674,680	1,765,681	2,563,031
Vehicle Replacement Fund	424,668		358,000	358,000	424,668
Trust and Agency Fund	1,010,011	220,312	23,500	(9,800)	1,197,023
TOTAL	31,074,633	103,479,984	122,145,906	20,251,979	32,660,692

A description of the City's Budget policies, goals, objectives, and an individual description of the City's major capital projects is included in Section B (Policies and Goals). A description of operating activities with specific budgets, a list of significant budget changes and departmental objectives for the next two years is described in Section D (Operating Activities). A listing of the City's budgeted capital budget projects at various stages of planning and development is provided in Section E (Capital Budget).

FACTORS INFLUENCING THE FINANCIAL PLAN

State and Local Economy

The Electric power crisis has been the number one topic on the minds of Californians. The citizens of Lodi have been somewhat protected from this crisis and have continued to experience competitive rates and reliable service. Our City's forefathers' decision so many years ago to purchase an electric utility has once again proved beneficial to the citizens. The City's Electric Utility has been very successful in not only meeting the needs for electricity of Lodi's citizens but also of other cities through its sales of surplus electricity.

The City of Lodi is experiencing an unprecedented year of economic growth due to a tremendous increase in building permits and an exciting surge in economic development projects. Lodi, limited by a 2% growth cap, is on the verge of many changes with particular emphasis on new subdivisions, the continued revitalization of its Downtown, and renewed interest in business park activities. In addition, Lodi's surrounding rural area provides a solid base of agricultural businesses including grapes, cherries, almonds, and includes numerous dairy farms. The agricultural relationship with the City of Lodi encourages agribusiness and tourism for the community and surrounding area. The Lodi Conference and Visitors Bureau (LCVB) promotes the many attractions in the region to include wineries and City facilities. The City's many public facilities lend themselves to regional sporting events, small to medium-sized conferences, and general gathering points.

State Legislative Actions

The State Legislature introduced a number of Bills that would impact local sales tax revenues by either introducing new exemptions or by changing the method of allocation. The State Board of Equalization and the Assembly and Senate Revenue and Taxation Committees estimate the minimum impact of these Bills is \$1.4 billion for local governments. Due to the State's power crisis and budget problems, a number of Bills were suspended or are being held under submission. City staff members are monitoring these Bills, and others, that may impact our sales tax revenues.

THE BUDGET IN BRIEF

The City uses a two-year Financial Plan and Budget concept to emphasize long-range planning and effective management of services. Thus, this Budget should be viewed in the context of past fiscal prudence, along with the expenditure and revenue projections for the next two years. In the 2001-02 Budget, increases of 8% are projected for all funds combined in both revenue and expenditures. Fund balances for all funds combined are projected to increase \$1.6 million (5%).

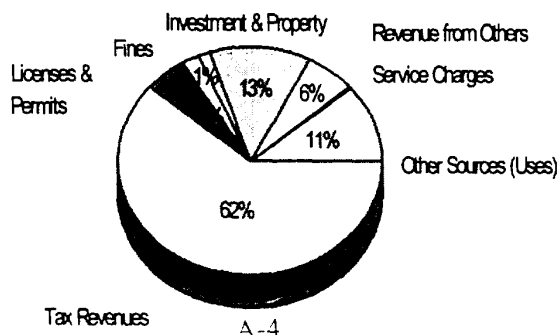
The following is a summary of the significant changes in the City's Operating Budgets:

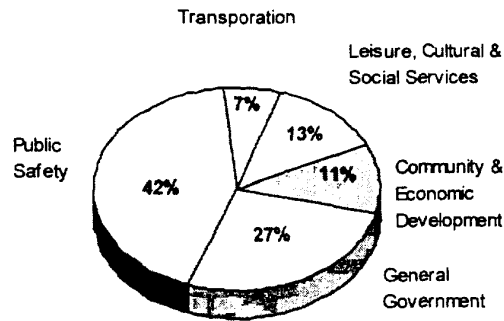
General Fund

General Fund revenues are projected to be 4% or \$1,064,823 higher in 2001-02. This is a conservative estimate that reflects increases of \$1,073,158 in tax revenues and \$120,540 in revenue from others. These increases are offset by decreases in fines and forfeiture (\$216,949), investment and property revenues (\$14,974) and other revenue (\$14,826).

In March 2000, the City Council approved the Cash Flow Model created by the City's Financial Advisor. This Model outlined growth assumptions for the various revenue categories based on examination of the historical performance as well as forecasts from other municipal agencies, independent recognized experts, and the State.

As shown on the pie chart below, the City receives approximately 62% of General Fund revenues from taxes. The Property tax, Sales tax, and In-Lieu Franchise tax receipts account for the largest portion of tax revenue. The increase in industrial and residential construction and the upturn in property values should result in additional property tax revenues above the 2.5% growth outlined in the cash flow model. A conservative 3.75% growth estimate was used again this year to project sale tax revenues for 2001-02 although the prior years actual receipts have come in higher than the estimate. By City policy, the In-lieu Franchise taxes are levied based on prior year revenues.





The pie chart above shows the breakdown of operating expenditures by Mission: Public Safety services 42%, Transportation services 7%, Leisure/Cultural services 13%, Community and Economic Development services 11% and General Government services 27%. Operating expenditures are projected to increase 14% or \$3,685,233 in 2001-02. The bulk of this increase can be attributed to: seven new full-time positions funded by the General Fund; an increase in PERS rates; an increase in overtime due to the numerous Capital Projects currently underway; a large increase in various grants which will be offset by revenue; and, salary increases as approved in the Memorandums of Understanding (MOU) with the City's various bargaining units.

There is \$811,297 of increases in significant expenditures and staffing changes for General Fund activities recommended by the City Manager. \$82,750 of this increase is to pay for one-time expenditures. The City staff will continue to actively look for grants to offset the increase in General Fund expenditures.

Overall, the General Fund remains strong with a fund balance of \$3.7 million, 12.6% of projected expenditures. City Council policy targets a reserve of 15% but allows for variations from year-to-year to account for economic and fiscal changes.

Library Fund

Library revenues are projected to increase 14% with the largest portion received from two sources: 79% or \$1,100,710 from property tax and 15% or \$206,455 from various Library grants. Two items account for the low (5%) increase in expenditures in 2001-02: the Library Board has approved the use of the Private Sector Trust Fund money for one-time capital expenditures; and, since the Library is a City facility, the General Fund will be charged for the cost of the utilities starting in 2001-02.

Water Utility Fund

Revenues are projected to increase slightly (5% or \$190,886) in the Water Fund in 2001-02. The expenditure level has been reduced to meet the City policy of a target of 15% fund balance reserve. Staff is reviewing future infrastructure replacement needs and will be returning to Council with recommendations at a later date. In addition, Council will be hearing discussions on possible rate increases in 2001-02.

Wastewater Utility Fund

Revenues and expenditures in the Wastewater Fund are projected to remain basically at the 2000-01 levels. Revenues increased approximately 1% or \$56,788 while total expenditures increased 2% or \$118,960. The Wastewater Utility staff is evaluating a possible upgrade and/or expansion of White Slough to meet mandatory discharge requirements. They will be presenting their recommendations to Council at a later date. Council will also be hearing discussions of possible rate increases in 2001-02.

Electric Utility Fund

The revenues in the Electric Fund are projected to increase \$4,505,090 (10%) and operating expenditures are projected to increase \$831,240 (7%). The Electric Utility is also recommending \$8.7 million in capital projects for further evaluation and study by the City Council. Due to the deregulation of the Electric Utility industry and the sale of the City's surplus electricity to other agencies, the bulk power costs are projected to decrease \$6 million in 2001-02. However, this projected decrease in costs may be impacted by recent Legislative actions imposing price caps on the utilities. The Fund Balance of \$10.9 million does not include the balance of approximately \$34.3 million in restricted cash from the proceeds of the Certificates of Participation for long-term capital projects.

Debt Service

In 1995 and 1996 the City obligated a total of \$15.1 million in Certificates of Participation for General Fund capital projects, principally for Hutchins Street Square, Downtown Revitalization, Cherokee Lane Beautification, and the City Hall Renovation. The annual debt service of approximately \$1,275,000 per year will be serviced with property taxes distributed to the Capital Outlay Fund – General Fund in accordance with City Council policy on page B-8. Under current Debt Management Policies found on page B-12, the City is in compliance with existing bond covenants.

SIGNIFICANT BUDGETED PROJECTS

The basic purpose of this Budget is to implement the City Council's goals described beginning on page B-22. These goals and the City's Budget Policies are the foundation for the two-year Financial Plan. There are several priority projects that the City Council approved for the 2001-03 Financial Plan. These projects are:

- **Public Safety Building Remodel & Expansion.** The existing Public Safety Building is 30+ years old and has many mechanical and design deficiencies. Constructing a new building and remodeling the old building providing additional working space plus parking and related site improvements is estimated to cost \$17.4 million. Before the City commits to this expense, a thorough evaluation of the building will be made in concert with an assessment of suitable alternatives. The City Council approved setting aside \$1.5 million a year starting in 2000-01 into a separate fund toward the cost of the project. The 2001-03 Financial Plan projects this transfer in both 2001-02 and 2002-03. In addition, \$4 million has been designated in the Governor's Budget for this project.
- **DeBenedetti Park/G-Basin.** The project consists of design and development of a youth sports complex (with lighted fields) and park within the "G-Basin", which provides storm water storage in the area. This project is one of the three highest unranked projects identified by the Parks and Recreation Commission. The estimated cost of this project is \$6.2 million. Staff is currently working to identify possible funding sources for this project.
- **Indoor Sports Center.** The City of Lodi relies heavily upon the Lodi Unified School District and San Joaquin County facilities to accommodate the needs for local and regional basketball, volleyball and indoor activities. Youth participation in indoor activities continues to climb, and in recent years, the Parks and Recreation Department has had to turn away children wishing to participate due to lack of facilities. This project consists of development and construction of an approximately 30,000 square-foot building to provide space for a gymnasium, bathrooms, offices and meeting rooms for community use. It is estimated to cost \$5.7 million. A plan will be developed for Council review to show funding sources for this project.
- **Outdoor Skate Park.** The citizens and elected officials have expressed a desire for an outdoor skate park to be used by all age groups and skill levels. A steering committee was appointed to ensure community input into the project. This committee recommended a private company for operations of the skate park at Kofu Park. The estimated cost is \$538,000.
- **Aquatics Center.** For years, the City has had a Joint-Use Agreement in place for the use of pools belonging to Lodi Unified School District to accommodate the aquatics needs of the community. Strong interest has been expressed to pursue consulting services to develop plans for an aquatics center to reduce the reliance upon the school pools. The estimated cost of this project is \$3 million.
- **Civic Plaza Veterans Monument.** The community is very proud of the sacrifices our Veterans have made on behalf of our Country. As a show of respect and gratitude, the proposed project will create an All Veterans Monument. A Veterans Advisory Committee was established to evaluate construction, marketing, finance and event planning. The City will provide the \$450,000 in funds for construction which will be repaid by fund-raising activities.

- **Animal Shelter Facility.** The Lodi Animal Shelter was built in the 1960's to service a community of approximately 26,000. As most shelters built at that time, its purpose was to be a "dog pound" i.e. a place to impound stray and vicious dogs before euthanizing them. The current shelter cannot meet the newly mandated State laws or fulfill the expectations of a community eager to provide more humane animal care. A committee was established to receive community input and make both short and long-term recommendations. The short-term recommendations for more cat cages, portable leased building, etc. are being implemented. The long-term recommendation was to construct an animal facility that is compliant with State law and meets the City's projected requirements for animal welfare and control. The estimated cost of this project is \$2.5 million.

In addition to the aforementioned projects, the City of Lodi will be evaluating the feasibility of leasing land to ProStyle Sports for the construction of a regional sports complex. This project has been on the drawing board for a number of years with the Environment Impact Report coming to completion Fall 2001. The proposed project encompasses approximately 400 acres of City-owned land adjacent to I-5 and two miles south of Highway 12. Amenities include 60 fields for soccer, baseball, softball and football, a field house, hotel accommodations and ancillary features such as an RV park, retail shopping, and eateries.

CONCLUSION

The 2001-02 Financial Plan and Budget is a balanced plan for funding City services. Services will continue at levels approved by the City Council in prior years. Growth is limited to those activities and programs that can be fully funded with new fees or projected revenue growth.

Promoting economic growth, public safety and leisure/cultural services remain the City's high priority programs. Continued emphasis on policies and programs that promote economic growth not only benefit business, industry and residents, they also increase the revenues needed for City services. Accordingly, a conscientious effort was made to evaluate all Budget requests in light of the City Council's economic and service priorities.

Acknowledgment

I wish to thank the Department Heads and their staff for their cooperation and responsiveness in preparing this Financial Plan. I would also like to commend Janet Keeter, Deputy City Manager, Vicky McAthie, Finance Director, Ruby Paiste, Accounting Manager, and Janet Hamilton, Management Analyst for their professionalism and effort in preparing this Plan and Budget. It would not have been possible to prepare this Budget in a timely and accurate manner without their hard work and dedication. I commend their efforts in preparing, reviewing and critiquing this Budget. The Finance Department, in particular, is also to be recognized for their involvement in the Budget process.

The Government Finance Officers Association (GFOA) has again presented the City of Lodi with a Distinguished Budget Presentation Award for the previous two-year Budget. I believe this Financial Plan and Budget continues to conform to program requirements and will be submitted to GFOA for evaluation.

Respectfully submitted,



H. Dixon Flynn
City Manager

HDF/sl



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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*


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City of Lodi,
California

"An Outstanding Policy Document"

For the Biennium Beginning

July 1, 1999


President

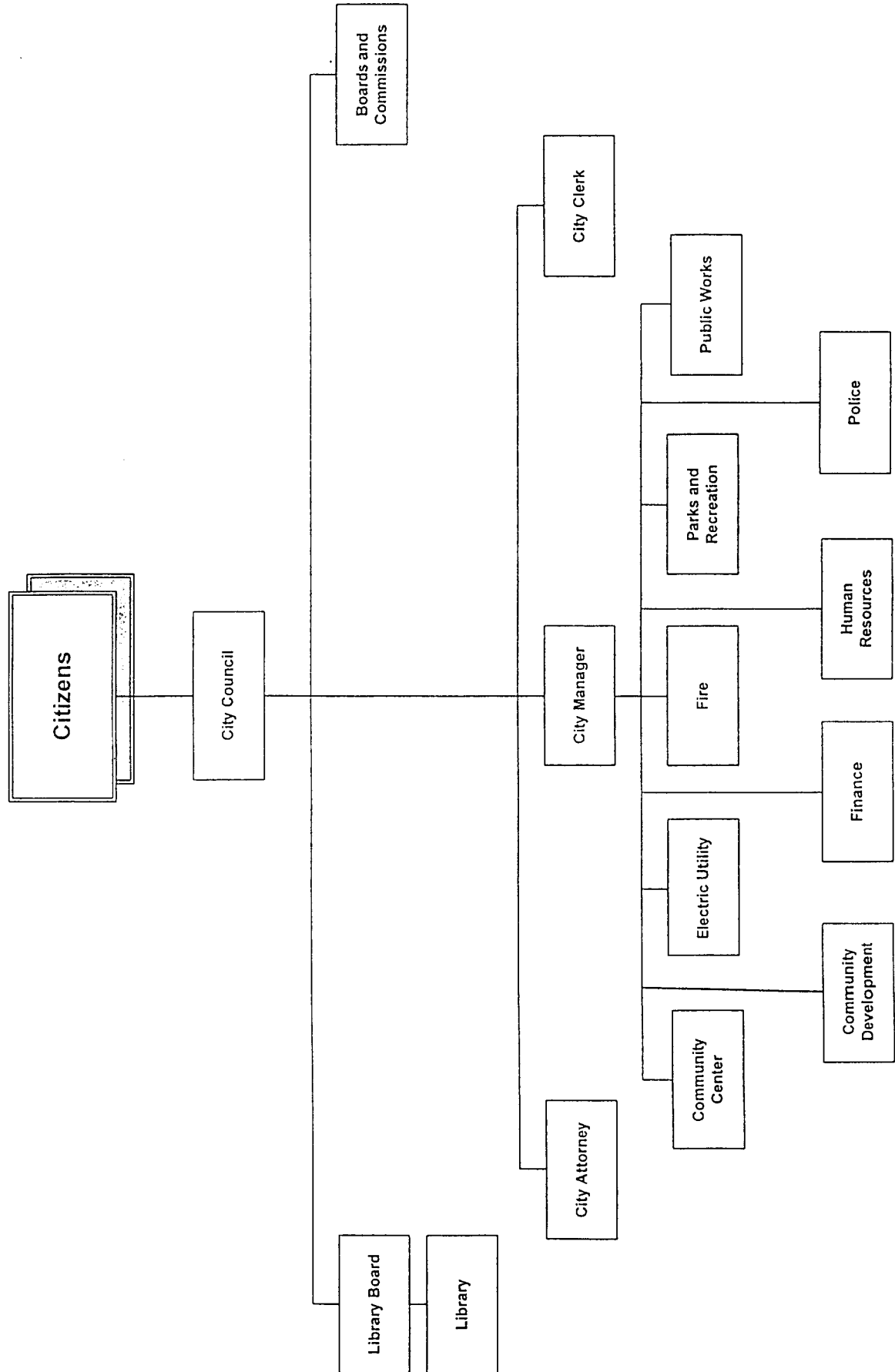

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Lodi, California for its biannual budget for the fiscal year beginning July 1, 1999.

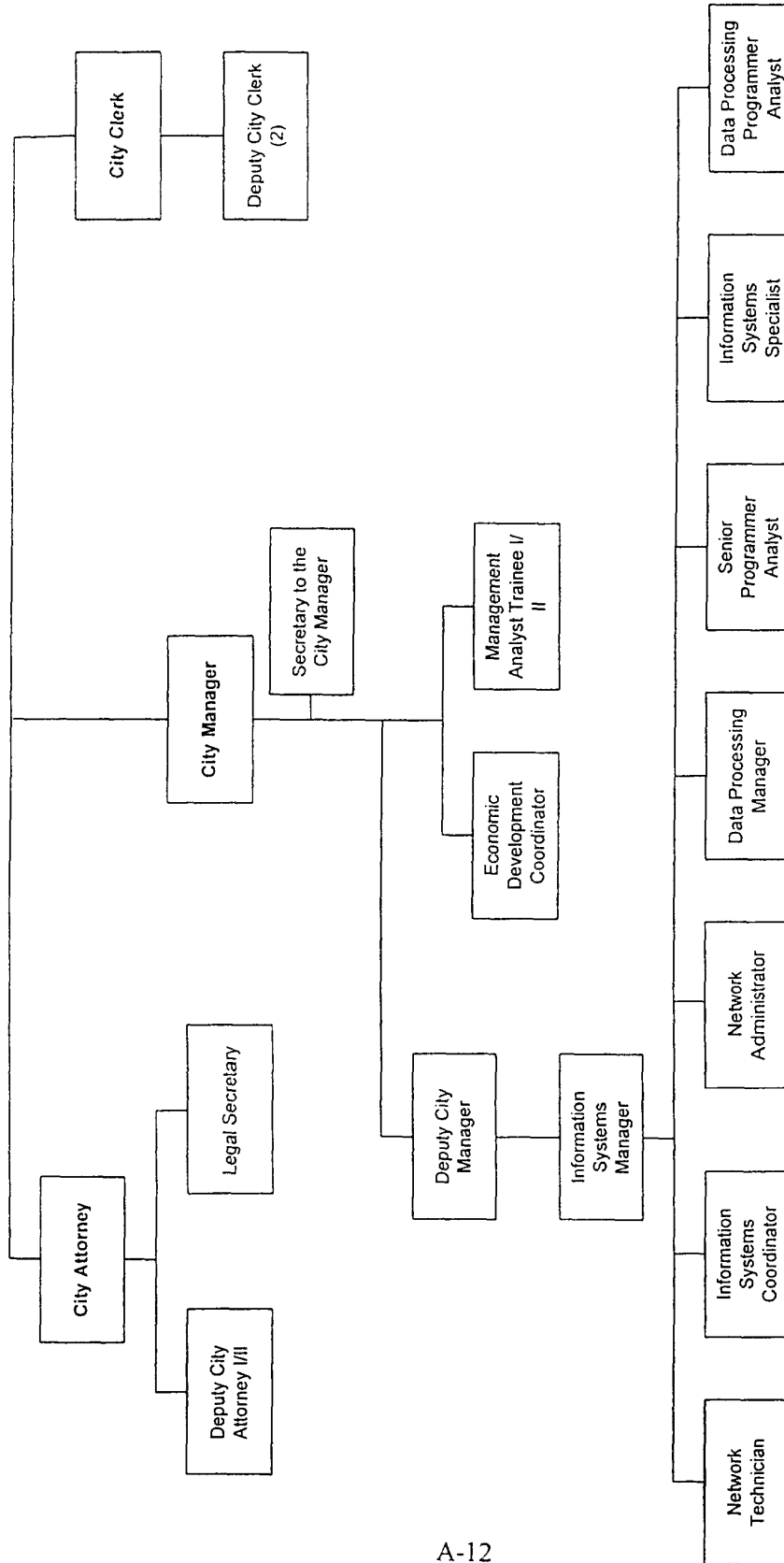
In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

This award is valid for a period of two years. The City of Lodi has received the Distinguished Budget Presentation Award since 1995. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

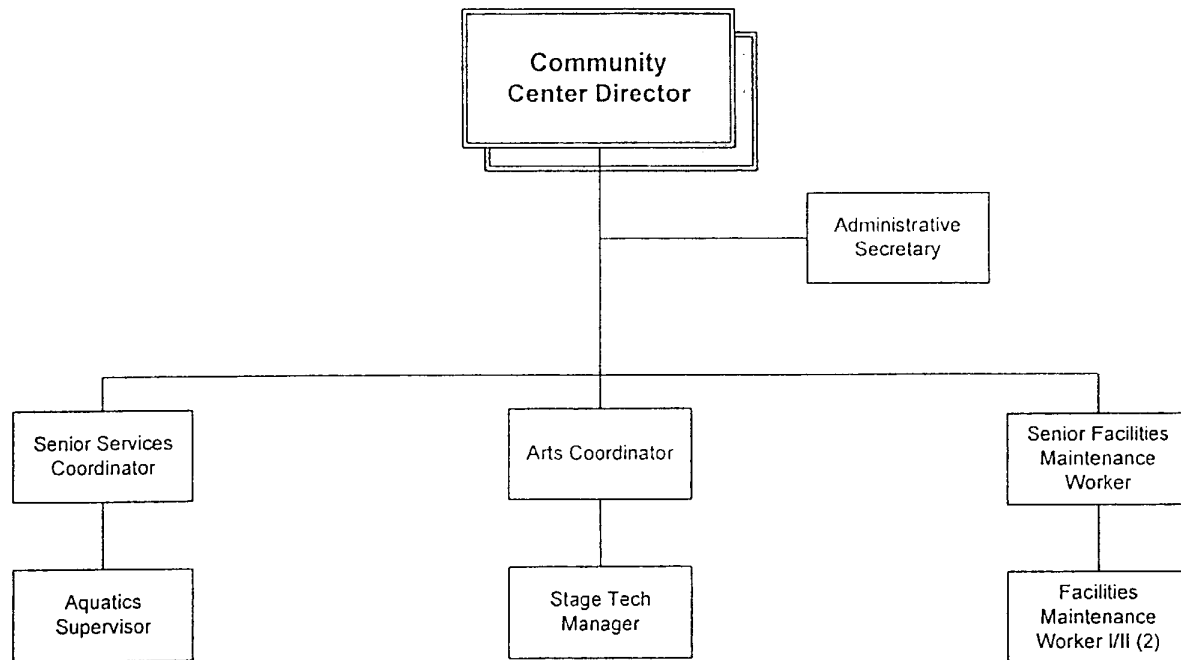
City of Lodi



Administration

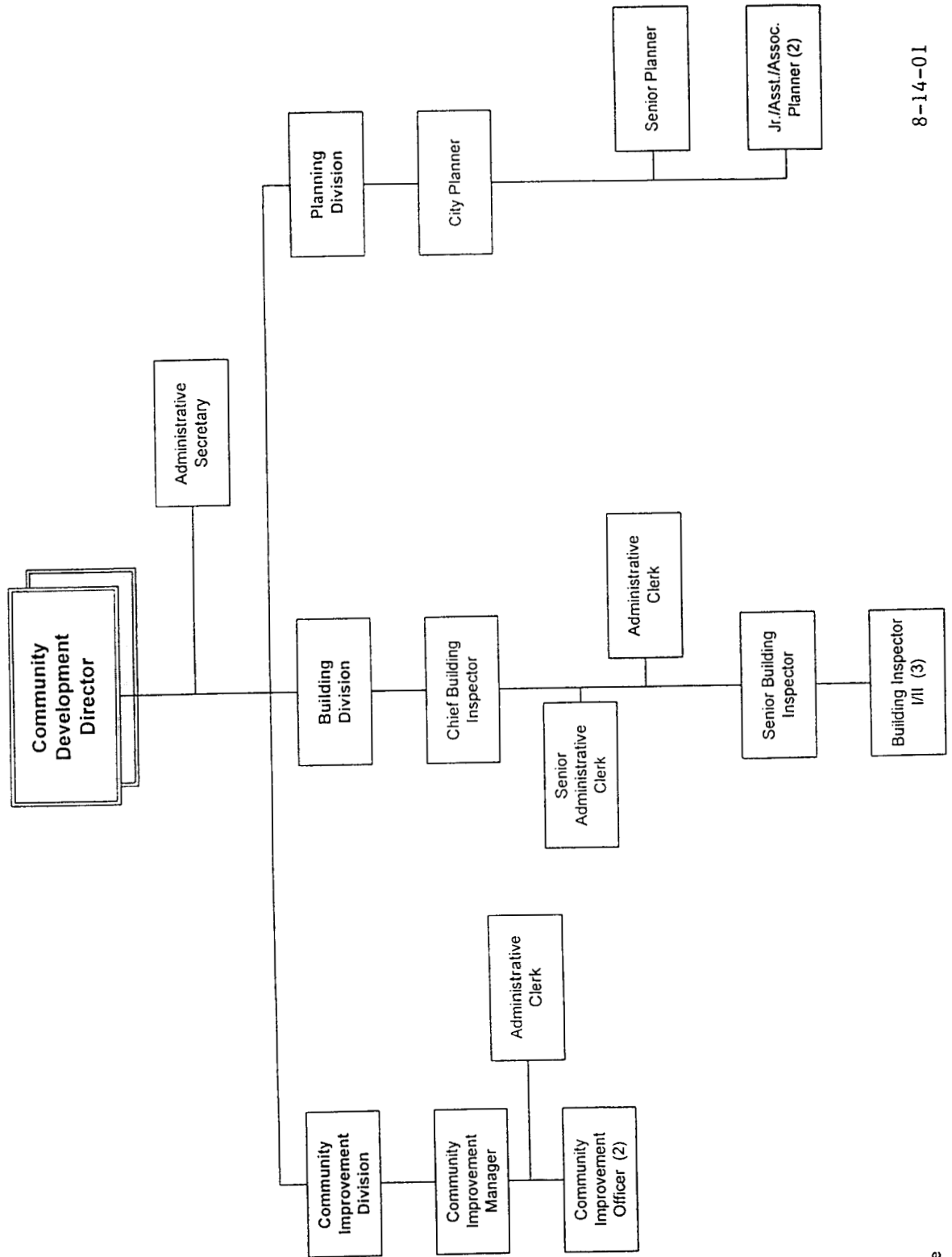


Community Center



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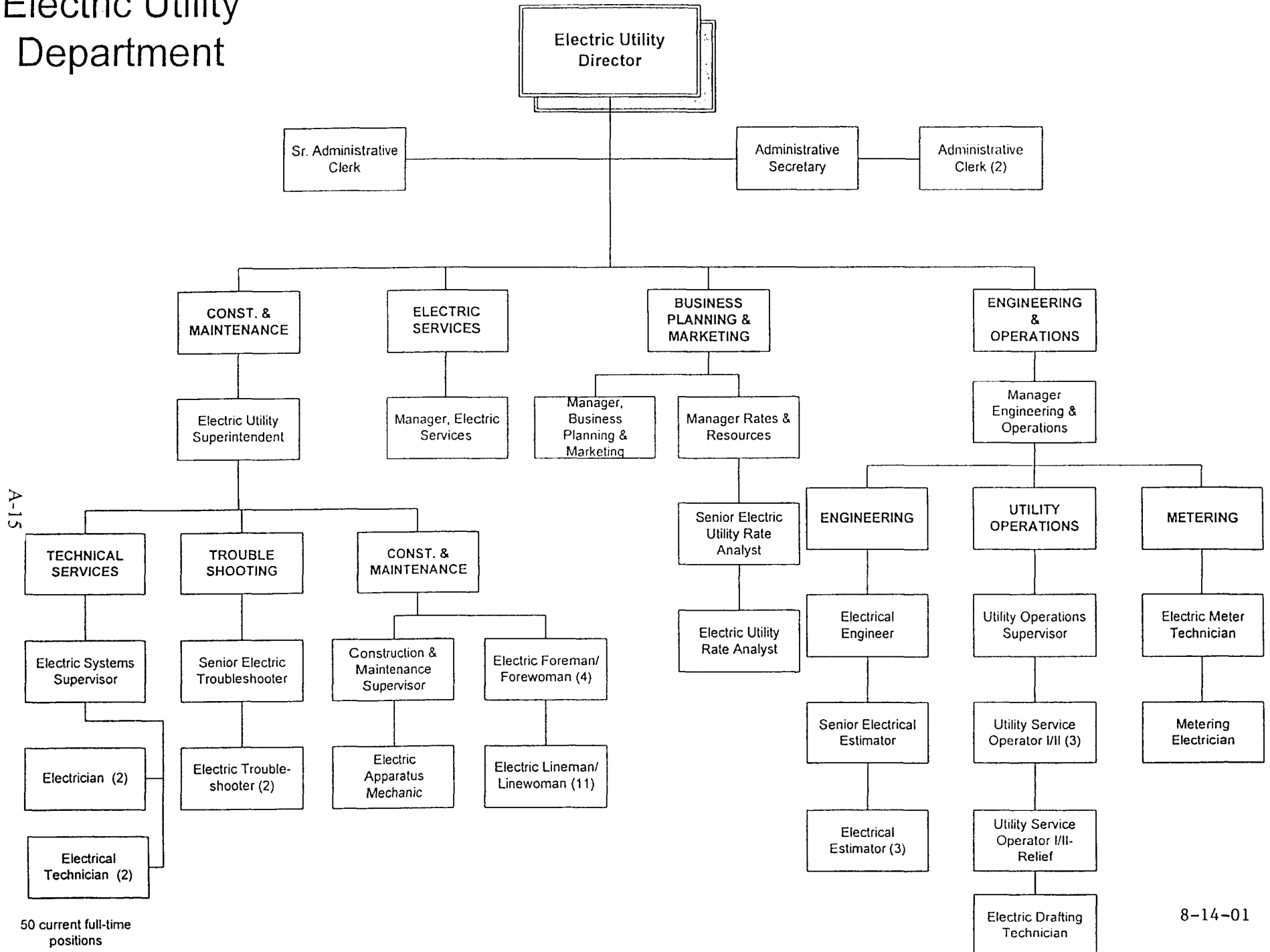
Community Development Department



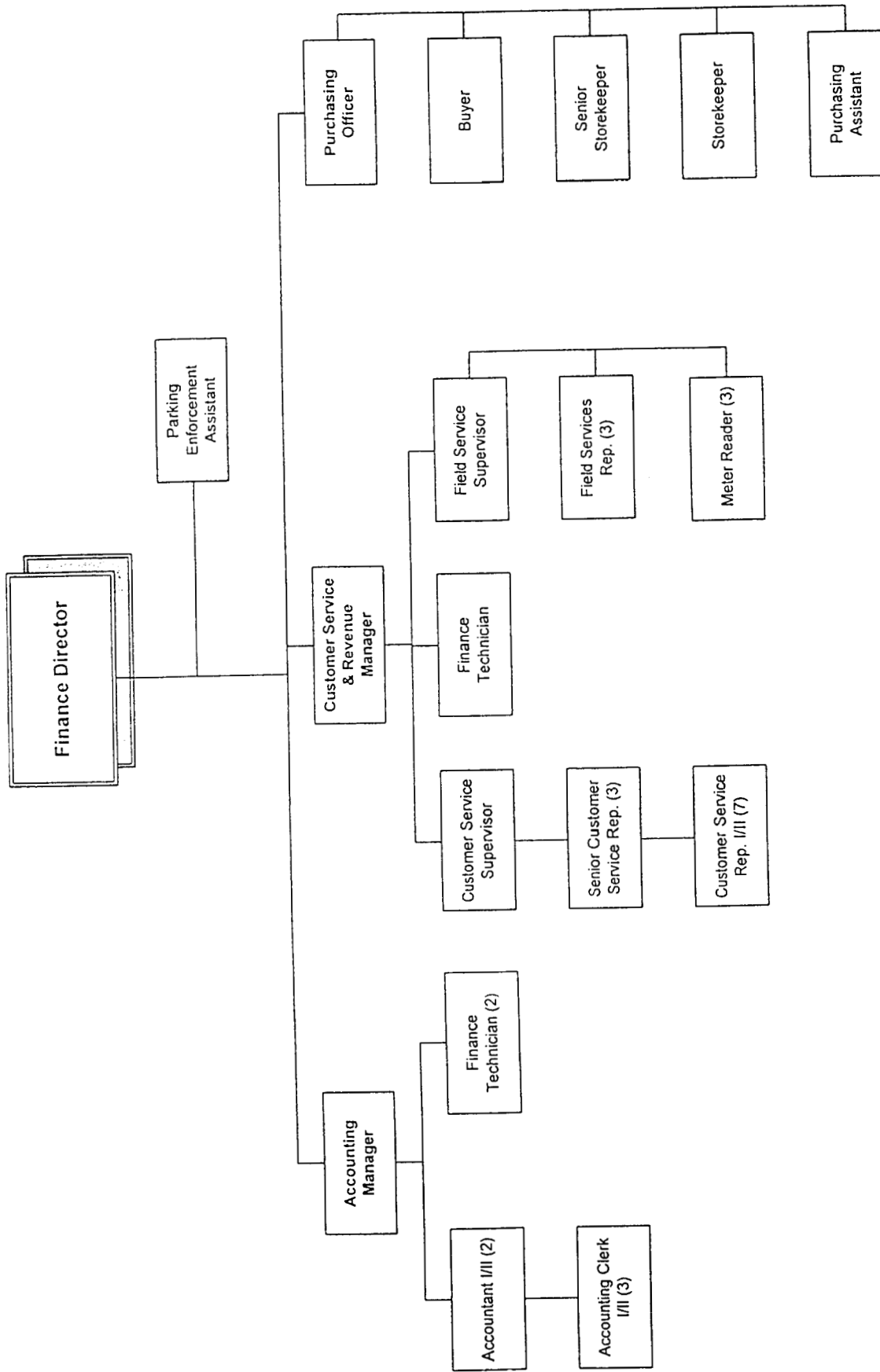
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17 current full-time
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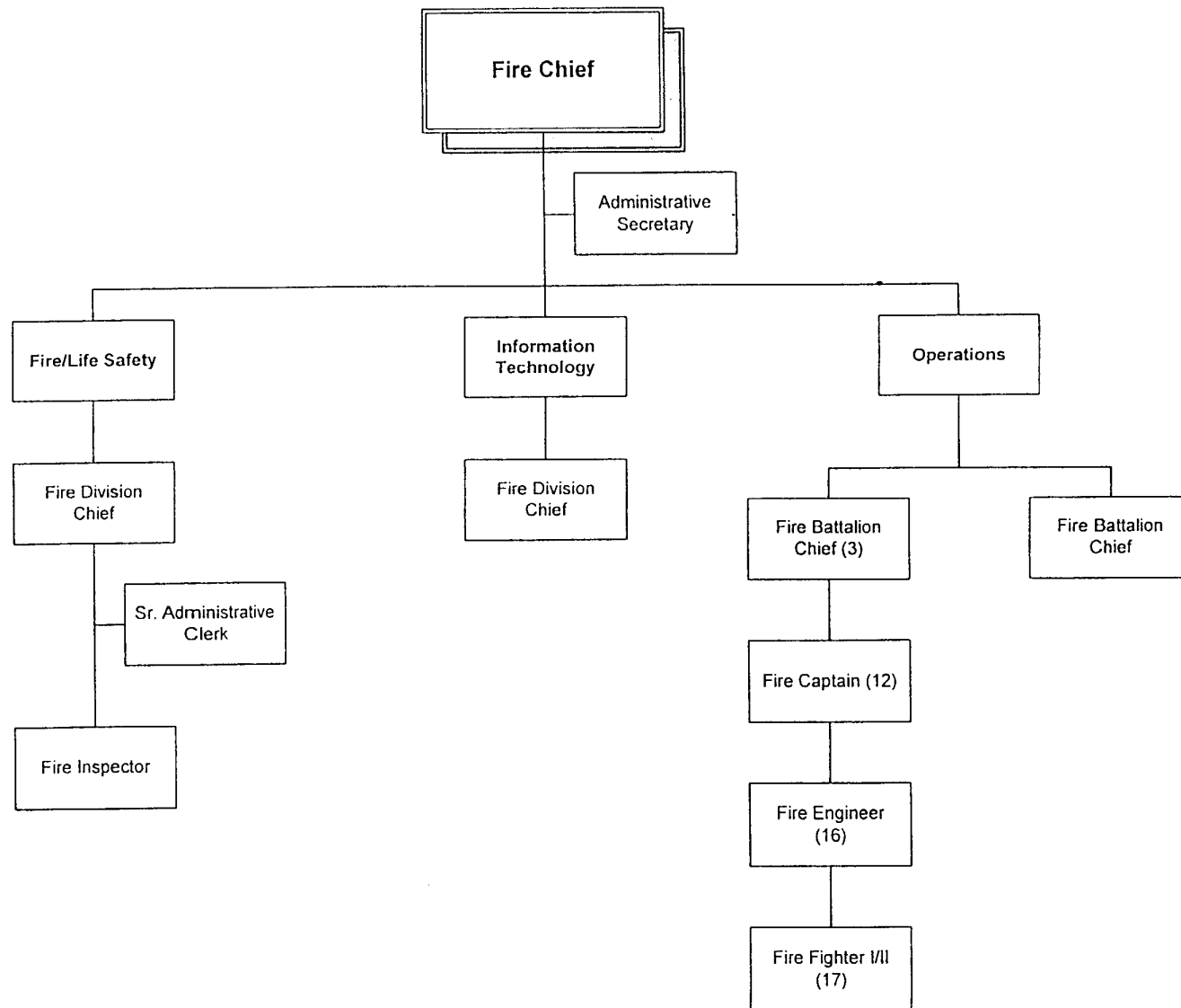
Electric Utility Department



Finance Department

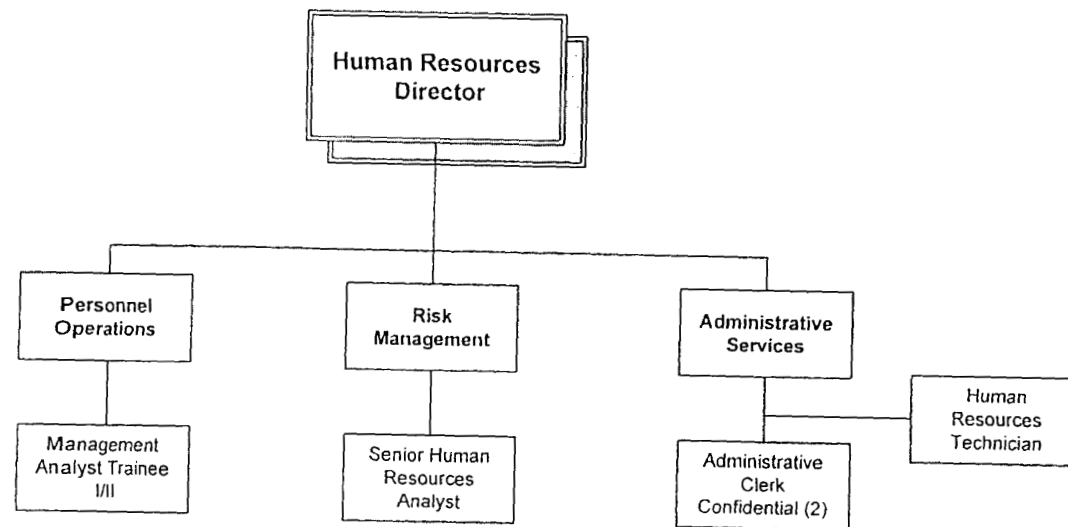


Fire Department



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Human Resources Department



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Library

